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DE RUEHSN #0713 2111624
ZNR UUUUU ZZH
P 301624Z JUL 09
FM AMEMBASSY SAN SALVADOR
TO RUEHC/SECSTATE WASHDC PRIORITY 1447
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUEHKO/AMEMBASSY TOKYO 0170
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E.O. 12958: N/A
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SUBJECT: NEW PORT AUTHORITY DIRECTOR PUSHING FOR LA UNION CONCESSION

REF: 09SANSALVADOR463

¶1. (SBU) SUMMARY: According to Port Authority (CEPA) Director Guillermo Lopez-Suarez, President Funes and key FMLN legislators have dropped their insistence upon maintaining state control of the Port of La Union and are now open to a full private concession. Once a concession is granted, however, the Port of La Union will still take over three years to be fully operational, so CEPA is proceeding with repair work at the existing Port of Acajutla. Despite this pragmatic policy shift, it will be a challenge for Funes and the FMLN leadership to find the necessary political support to push through legislation capable of attracting bidders.
END SUMMARY.

¶2. (SBU) During a July 28 meeting, new CEPA Director Guillermo Lopez-Suarez told Emboffs that President Funes and FMLN leaders are now open to all options, including offering a full private concession, for the Port of La Union. Lopez-Suarez said that he recently met with key FMLN figures, including Medardo Gonzales, Jose Luis Merino, and Sigfrido Reyes. He advised the FMLN leadership that the Government of Cuba was successfully operating the Port of Havana under a private concession. He said this comparison played favorably, and has led FMLN leaders to believe that if Cuba has done it, then a private concession for La Union could be politically acceptable to the their left-wing.

¶3. (SBU) Even if a new law authorizing a full concession passed the Legislative Assembly quickly, however, Lopez-Suarez advised that it would take at least 40 months for the Port of La Union to be fully operational. Meanwhile, CEPA is looking at what it can do to make some use of the port and is considering purchasing four used post-Panamex cranes from the Port Authorities in Los Angeles and Oakland. Currently, CEPA is making monthly payments for the vacant port of approximately \$1 million for security, maintenance and repayment of project loans to Japan. These payments account for over 10% of CEPA's annual budget.

¶4. (SBU) Lopez-Suarez also advised that recent press reports stating that the Port of Acajutla will close for maintenance were inaccurate. Rather, CEPA will take advantage of reduced cargo traffic to conduct repairs in stages as to not disrupt operations, closing one pier at a time.

¶5. (SBU) COMMENT: Both Funes and the FMLN had opposed a concession for La Union during the campaign, insisting that it should remain majority state-controlled. A shift towards supporting a full private concession reflects a new pragmatism now that they are actually in power. The GOES does not have the funds to make the necessary long-term investments in the port and lacks experience in attracting the type of international shipping business needed to make the port profitable. The question now is whether the FMLN can draw enough support from pro-business ARENA legislators to pass a meaningful concession that will attract credible bidders. END COMMENT.

¶6. (U) BIO NOTE: Lopez-Suarez has a degree in Agronomic Engineering from the Institute of Technology and Higher Studies of Monterrey, Mexico, and a Master's in Business Administration and Finance from the North Dakota School of Science (now North Dakota State College of Science). He has over 34 years of experience working in the private sector (17 years with the Salvadoran franchise of "Pollo Campero"). During the Saca Administration, he served as Minister of Finance from 2004-2006. He left the Saca Administration after implementing a successful fiscal reform project.

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